

ANNUAL GOVERNANCE STATEMENT 2013/2014

1. SCOPE OF RESPONSIBILITY

- 1.1 Cumbria County Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having full regard to value for money.
- 1.2 In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, including arrangements for the management of risk.
- 1.3 The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the CIPFA/SOLACE 2007 Framework Delivering Good Governance in Local Government. The Local Code was approved by the Council's Audit and Assurance Committee at its meeting on 18th June 2013 and it can be obtained from the Council's website by clicking the following link: [Cumbria County Council Local Code of Governance.](#)
- 1.4 The Annual Governance Statement for 2013/2014 explains how the Council has complied with its own Local Code and also meets the requirements of regulation 4 (2) of the Accounts and Audit Regulations 2003 as amended by the Accounts and Audit (Amendment) (England) Regulations 2011 in relation to the publication of an Annual Governance Statement which must accompany the statutory accounts.

2. THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The Council's governance framework comprises the systems and processes, cultures and values, by which the Council directs and controls its policies and activities and through which it accounts to, engages with, and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The

system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of Cumbria County Council's objectives, to evaluate the likelihood and potential impact of those risks being realised and to manage them efficiently, effectively and economically.

2.3 The governance framework has been in place at Cumbria County Council for the year ended 31st March 2014 and up to the date of approval of the annual statement of accounts.

3. THE GOVERNANCE FRAMEWORK

3.1 The key elements of the governance framework in place during 2013/2014 comprised:

- The Constitution
- The full Council, Cabinet and committees
- Audit and Assurance Committee and Scrutiny Management Board
- The Corporate Management Team, Extended Leadership Team and Directorate Management Teams
- The Council Plan and Delivery Plan which set the context for Service and Area Plans
- The Medium Term Financial Plan
- The Policy Framework, regulatory and other policies approved by Cabinet
- Arrangements for engagement with and accountability to local communities and stakeholders
- Arrangements regarding the Council's statutory officers
- The performance management framework and risk management strategy
- The Council's human resources policies and arrangements, including for the training and development of elected members and officers
- Arrangements for the management and administration of decision making

- Arrangements relating to partnerships and controlled companies
- Arrangements for dealing with comments, compliments and complaints about service delivery
- The Corporate Governance Group.

3.2 The Council's arrangements for the management of corporate governance were reshaped in early 2014 following a review of the Extended Leadership Team in 2013. Officers with lead corporate responsibility for the management of the corporate government framework are established within the Resources Directorate. A new post of Assistant Director Corporate Governance has been created and this post has been designated as Monitoring Officer. Interim arrangements are in place for the discharge of monitoring officer responsibilities. The Assistant Director Corporate Governance will assume these responsibilities during 2014/2015. The Assistant Director Corporate Governance is a member of the Resources Directorate Management Team along with the Section 151 Officer and Assistant Directors responsible for the Capital Programme and Property, and Business Services (including ICT, HR, Procurement).

3.3 Alongside the structural review, a review of arrangements for corporate governance was undertaken (in 2013) and new arrangements (described in more detail below) have been approved and established. A new Corporate Governance Group, reporting to the Corporate Management Team has been established, with membership from each directorate at Assistant Director level and chaired by the Assistant Director Corporate Governance.

4. REVIEW OF EFFECTIVENESS

4.1 Review Process

4.1.1 The Council has responsibility for conducting, at least annually, a review of the effectiveness of its governance framework including the system of internal control. The review of effectiveness is informed by the work of the senior managers within the Council who have responsibility for the development and maintenance of the governance framework, the Head of Internal Audit's report and also by comments made by the external auditors and other review agencies and inspectorates.

4.1.2 The Council's review of effectiveness 2013/2014 gathered evidence of the arrangements in place and their effectiveness against the Local Code of Governance, confirmed against each of the six core principles set out in the CIPFA/Solace Guidance for English Authorities,

“Delivering Good Governance” 2012, the sub-principles and the twenty one requirements of the 2012 Addendum to that Guidance.

4.1.3 The effectiveness of the governance framework has been evaluated as follows:

- A review of corporate arrangements and their effectiveness carried out by a core group of corporate governance lead officers, with input from other Council officers. Evidence was gathered using a template incorporating the required areas of evaluation. The assessment of arrangements has been reviewed to capture any significant governance issues emerging.
- A review of internal control comprising an assessment by each Assistant Director of their service areas against the core principles and requirements. Assistant Directors also attended a workshop in February 2014 to discuss their review and identify emerging issues. Evidence was gathered using a template incorporating the required areas of evaluation. A summary of significant governance issues in each directorate, drawn from the individual service reviews, for incorporation into service plans, has been signed off by each Corporate Director. The review of internal control has been reviewed by the core group in preparing the Annual Governance Statement.
- A review of the annual report of the Head of Internal Audit to identify any significant governance issues or emerging themes arising from the work of Internal Audit for consideration in the Annual Governance Statement.
- Internal Audit Reports
- A review of Scrutiny, including health scrutiny
- A review of the Council's arrangements for its controlled companies
- An assessment of the Audit and Assurance Committee arrangements against the core functions of Audit Committees set out within the 2013 CIPFA position statement on the role of Audit Committees
- A review of the effectiveness of Internal Audit against the Public Sector Internal Audit Standards as required by the Accounts and Audit Regulations 2011, to identify any significant non-conformances for inclusion in the statement.
- A review of the 2013/4 Action Plan from the 2012/2013 Annual Governance Statement.

- 4.1.4 The information collated in preparing the 2013/2014 review will be used to update the Local Code of Governance by the Corporate Governance Group.

4.2 Review of Effectiveness of Corporate Arrangements

CORE PRINCIPLE ONE: FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES

- a) The Council has a Vision and has developed effective arrangements for promoting its vision and purpose and translating this in to effective action.
- b) The Council's Vision is translated into priorities, key activities and success measures in the Council Plan, which is adopted by full Council as part of the Policy Framework. Assistant Directors have put in place Service Plans, approved by the Corporate Management Team, in their service areas, for 2014/2015. All objectives in Service Plans and all recommendations in reports for decision are required to demonstrate their link to delivering the Council Plan. This also applies to team plans and individual appraisal objectives.
- c) The Council Plan is subject to effective formal consultation in its development, including community events. This is described in more detail under Principle 2. The outcome of consultation is considered both by the Cabinet in making its recommendations to the full Council and by the full Council in adopting the Council Plan.
- d) The Council Plan has a high profile on the Council's website and intranet, and is supported by promotional materials across the Council.
- e) The Council Plan is regularly reviewed. To ensure services are delivered in accordance with the Council Plan, a quarterly corporate performance scorecard is presented to the Corporate Management Team and to Cabinet. The scorecard contains key measures under four perspectives: Customer (Council Plan Priorities), People, Processes, Resources. Reports highlight activities that are in place to return performance back to plan and/or highlight achievements made to date.
- f) A report on 'Achievements in Delivering the Council Plan' and aimed at the public, is published on a 6 monthly basis.
- g) In addition to the corporate scorecard, each directorate management team uses detailed performance reports and scorecards to track the

performance and quality of services. The content is reported to and challenged by appropriate scrutiny boards.

- h) A financial outturn report and statement of accounts is prepared annually. The Finance service also has a role in validating the information reported within the annual report to ensure it reflects the financial statements.
- i) A business plan and annual report is prepared for the Cumbria Local Government Pension Scheme.
- j) The strategic planning process takes into account benchmarking information and value for money profiles. Benchmarking is taken into account when setting ambitious targets, identifying efficiencies across services and reviewing costs.
- k) There is a draft corporate procurement strategy which is being presented to the Cabinet in June 2014. National and Council contract frameworks are used wherever applicable in procurement. It is a requirement of the Council's contract rules that frameworks are considered where appropriate and the Council's procurement process drives consideration of this.
- l) There is a drive across the council to ensure that the responsibility for obtaining value for money is a corporate responsibility and senior management job descriptions now reflect these responsibilities.
- m) The new approach to service planning, reporting and monitoring described above will highlight areas for proactive management where value for money is not being achieved.
- n) The review of effectiveness has highlighted that benchmarking is not practised consistently across the Council, but is found to be particularly useful in Children's Services, Adult Social Care and Fire and Rescue Services.
- o) The Sustainable Community Strategy for Cumbria 2008-2028 is part of the Council's Policy Framework. As a consequence, all decisions made by the Council take the Community Strategy into consideration. The Sustainable Community Strategy provides a framework for the Council's partnership activity and the Council has tools in place to support consistency in approach across all partnerships.
- p) The Council has in place effective arrangements to identify and deal with service failure which include:

- A complaints procedure and guide to complaints which is accessible online
 - Monthly complaints, comments and compliments figures distributed across Directorates
 - Monitoring of the percentage of complaints resolved informally, which informs the Corporate Scorecard. Resolution at this stage continues to increase
 - Programme arrangements are in place and are used to facilitate delivery of the Council's key programmes. Lessons learned exercises are undertaken as part of the process, to support improvement.
- q) The Local Code of Governance is reviewed annually and published with the Annual Governance Statement within the Audit & Assurance Committee papers. A full refresh of the Local Code is due to be undertaken during 2014/2015.

CORE PRINCIPLE TWO: MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES

- a) The Council's Constitution, adopted by the full Council, sets out the terms of reference of the Council, Cabinet and all other Council decision making bodies, including the Health and Wellbeing Board and Local Committees. There is a Scheme of Delegation to Corporate Directors who are permitted, subject to certain restrictions set out in the Constitution, to make further delegations. The Council has not delegated authority to individual executive members but a role description for each portfolio holder is published on the intranet and Council website. The Constitution sets out a role description for all members and key responsibilities of the Leader of the Council.
- b) The Council has established a dedicated Audit and Assurance Committee, with terms of reference in line with CIPFA Guidance (2005). An annual review of Audit and Assurance Committee effectiveness is undertaken against the CIPFA checklist and further information about the 2013/2014 review is set out in below.
- c) The terms of reference of decision making bodies set out the decisions which are reserved to these bodies. The Officer Scheme of Delegations has been updated recently to reflect the reshaping of the Extended Leadership Team (Corporate Directors and Assistant Directors).

- d) The new Performance and Risk framework sets out the respective roles of Audit and Assurance Committee, Scrutiny and Cabinet in the management and oversight of performance and risk.
- e) The Constitution is kept under review by the Assistant Director Corporate Governance and there is a mechanism in place (the Constitution Review Group) for consideration by lead members prior to seeking adoption of proposed changes from the full Council.
- f) A focused review of key areas of the Constitution is being undertaken during 2014.
- g) The Chief Executive has an up to date job description, which was revised in March 2013. The Chief Executive has a role profile. Appraisal arrangements were put into place in November 2013 and a copy of the appraisal template for the Chief Executive is held by the Corporate HR Team. The appraisal for the Chief Executive outlines the core priorities for the financial year. The Chief Executive has regular diarised 1:1 meetings with the Leader of the Council, to update on performance against priorities in the Council Plan and appraisal.
- h) New role profiles for the Extended Leadership Team were agreed in October 2013 following the reshaping of the Extended Leadership Team.
- i) The Assistant Director, Finance is the designated Section 151 Officer (Chief Financial Officer). A review of the Council's arrangements against the CIPFA Statement on the Role of the Chief Financial Officer has confirmed that the arrangements conform.
- j) The Constitution sets out the governance arrangements, including the agreed procedures to be followed, in relation to applicable statutes and regulations. The Constitution was amended in November 2013 to reflect the interim arrangements in place for discharge of the Monitoring Officer function following reshaping of the Extended Leadership Team.
- k) The Constitution contains a general Protocol on Member/Officer Relations and a Protocol for Members and Officers involved in the Planning Process. The latter was reviewed and updated in 2013.
- l) The Council has adopted a Members' Allowances Scheme which forms part of the Constitution and payments are made in accordance with the scheme. An Independent Remuneration Panel has been appointed by the full Council and is part way through a fundamental review of the scheme. The Independent Remuneration Panel's report was considered by the full Council in June 2014.

- m) The Council's Pay Policy Statement outlines its approach to pay and grading. The Job Families framework outlines the structured pay grades across "green book" employees. There is an established procedure for grading and an appeals procedure. The directorate review of the Internal Control Framework has highlighted some areas where unique characteristics/role profiles for some jobs still need to be put in place and this will be addressed in those areas.
- n) The Council's arrangements for monitoring service delivery comprise:
- reports to Council Management Team/ Cabinet
 - monthly Performance Reports/Meetings
 - Programme Board Reports/ Meetings
 - reports to Service and Directorate management team meetings
 - Scrutiny Reports/ Meetings
- o) The Council's arrangements for ensuring that the Vision, strategic plans, priorities and targets are developed through robust mechanisms, in consultation with the community and stakeholders and are disseminated comprise:
- the Council Plan and associated Delivery Plan
 - on-line, interactive version of Council Plan
 - a revised Performance and Risk Management Framework endorsed by the Council Management Team in November 2013 and Cabinet in April 2014.
 - the 2014/2015 Budget consultation document
- p) The Constitution contains a protocol governing Council Partnerships and there is a partnership register. The Council's engagement in partnerships is managed within directorates. The approach taken depends on the nature of the partnership arrangements in place and the Council's role in them. Work to review this in 2013 highlighted a lack of consistency across the Council in ensuring that appropriate governance is in place for the various arrangements described as partnerships.
- q) Some recent arrangements, such as the Local Transport Body, have been established with clear governance arrangements and work is currently being undertaken to strengthen governance arrangements within the Local

Enterprise Partnership and the Morecambe Bay Partnership. Work is also being undertaken to review and strengthen the effectiveness of arrangements for the Health and Wellbeing Board.

- r) The directorate review of the Internal Control Framework highlighted that there remains a need for improvement in the understanding of the purposes of some partnerships, their roles, investment and expected return, representation and risks. This is considered to be a significant governance issue for the Council and action to develop and embed a robust corporate approach has been included in the Corporate Governance Service Plan to address these issues.

**CORE PRINCIPLE THREE: PROMOTING VALUES FOR THE AUTHORITY
AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE
THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND
BEHAVIOUR**

- a) In carrying out their functions, elected Members must have regard to the Member Code of Conduct which was adopted by full Council in 2012 in compliance with the Localism Act 2011. The Code forms part of the Constitution and incorporates the “Nolan Principles” of standards in public life.
- b) The Council has retained a Standards Committee, with terms of reference in the Constitution to promote Member conduct and monitor the effectiveness of arrangements for ethical standards in the Council. An independent Chair and two Independent Persons (who are also consulted as part of the arrangements for handling complaints) were appointed by the full Council in 2012 and 2013. The Standards Committee reports to full Council through its minutes. The Standards Committee agrees a work programme each year. In 2014 this includes a review of the Code of Conduct following two years of operation and the Protocol for Member/Officer Relations.
- c) The Council has in place arrangements for investigation of complaints against elected Members, approved by full Council, which are managed by the Monitoring Officer and kept under review by the Standards Committee. The Standards Committee receives a report to each of its meetings, from the Monitoring Officer, about complaints against elected members since the previous meeting, how they were handled and their outcome. Copies of the reports are published with the Standards Committee papers.
- d) Officers must comply with the Officer Code of Conduct and (as must elected members) the Protocol on Member Officer Relations which both

form part of the Constitution. The Officer's Code of Conduct acknowledges professional Codes of Conduct.

- e) The Council has an Induction Policy which indicates that all new staff will receive an induction. All new employees are expected to participate in an induction programme. The Council has an Appraisal Policy with a requirement for Employee appraisals annually and with a six-month review. The appraisal outlines the required accountability and responsibilities for each employee. The directorate review of the Internal Control Framework highlighted that managers are unable to give full assurance that appraisals have been carried out for all employees. The need for improvement across a number of human resources and workforce development areas has been identified as a significant governance issue in 2014 and will be addressed through the Workforce Plan and Service Plans.
- f) A new behaviours framework for employees, "Count me in" was developed, through a programme of employee engagement in 2013. A workshop was held at the Senior Managers Conference in September 2013 to introduce the framework. The framework has been incorporated into the role profiles of the Extended Leadership Team. The framework will be extended to employees below this level by October 2014 and a programme to embed the Council's new behaviours and values into core Council procedures and practices will be concluded by April 2015. The framework will form part of the Council's Workforce Plan.
- g) There are various arrangements in place for ensuring that members and officers are not influenced by prejudice, bias or conflicts of interest in dealing with stakeholders. These include the Member and Officer Codes of Conduct, the Protocol for Members and Officers involved in Planning, Financial Standing Orders and Contract Procedure Rules.
- h) The Monitoring Officer maintains a register of members' interests under the Code of Conduct, including gifts and hospitality. Officers are required under the Officer Code of Conduct to declare interests. Directorates maintain directorate registers.
- i) Finance conducts an annual review of senior officer interests in contracts during preparation of the accounts.
- j) Agendas for meetings of the Council, its Committees and Cabinet include text which explains to members their responsibilities under the Code of Conduct. The Monitoring Officer and Senior Manager Democratic Services provide advice to members where requested.

- k) In relation to those decisions taken by or referred to Committees, Cabinet and Council, procedures are in place to ensure that reports are referred to Finance and Legal Services for comment. Officers are encouraged to refer reports at an early stage and (for Cabinet reports) before the report goes to Corporate Management Team. Final reports include finance and legal comments, and explain how strategic planning and equality implications (compliance with the public sector equality duty under the Equalities Act 2010) are addressed. Reports go through a “sign off” process by Assistant and Corporate Directors to ensure they comply with relevant policies and procedures and (with regard to executive decisions) are not contrary to the budget or policy framework. The Monitoring Officer attends Corporate Management Team when reports are being discussed and attends Cabinet Briefing, Cabinet and full Council. A solicitor attends the Development Control and Regulation Committee. Issues of compliance with legal and constitutional requirements relating to decision making are picked up through these arrangements and addressed. For example, training was provided to key staff in 2013 on arrangements for key-decision making by Corporate Directors in the context of contracting, to address an emerging issue in that area.
- l) Communication of the Council's Vision and Council Plan is being carried out in 2014, through meetings of the new Extended Leadership Team and Directorate Management Teams, with a requirement for Assistant Directors and Senior Managers to communicate to their teams. Corporate email communications are regularly sent to staff. For the 2014/2017 Council Plan and 2014/2015 budget round, a comprehensive communication and engagement plan was implemented covering the proposed new Council Plan priorities and associated budget propositions to ensure the Council delivered a balanced budget and Medium Term Financial Plan. A key element of the Council's Workforce Plan will focus on a key theme of enhancing employee engagement, which will include the development and introduction of an employee engagement framework by October 2014.
- m) The Council's Whistleblowing Policy and Counter Fraud Policy form part of the Constitution and are accessible via the intranet. The Monitoring Officer keeps a record of complaints made under the Whistleblowing Policy, which is being reviewed in 2014 as part of the wider review of the Constitution. The Counter Fraud Policy was reviewed in late 2012.
- n) The directorate review of the Internal Control Framework has highlighted that managers are unable to give full assurance that all employees are aware of the Council's ethical policies, key governance procedures, codes and protocols. The review also highlighted lack of certainty over who is responsible for ensuring that employees are aware of and adhere to such

- policies. It was highlighted that improvements could be made to arrangements for monitoring and ensuring compliance with policies, procedures and codes that form part of the corporate governance framework and responsibility in this area could be clearer. Since compliance with the Council's ethical policies, codes and protocols is an essential part of ensuring effective corporate governance, action has been prioritised in the Corporate Governance Service Plan to address this issue.
- o) Guidance and a self-assessment tool are available to support effective partnership working. A register is in place which lists all partnerships the council is involved in, however, given the changing landscape of partnership working, the register, guidance and toolkit are being reviewed and updated, ensuring that risks relating to partnerships are considered as part of the corporate approach to risk management.

CORE PRINCIPLE FOUR: TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK

- a) The Constitution, which sets out the Council's arrangements for decision making is kept under review by the Monitoring Officer and her staff. The Constitution is viewed as a "living document" and changes which are identified during the year are considered by full Council as soon as possible. The Constitution was last fully reviewed in 2009 and a targeted review of key areas is being undertaken in 2014.
- b) There are well-established processes for executive and non-executive decision making. The Council publishes a forward plan of decisions to be taken by the Executive and Corporate Directors, and Corporate Directors work closely with Cabinet portfolio holders in the formulation of proposals to implement the budget and policy framework. Briefings are held with Members during the preparation of agendas for full Council and other decision making bodies. Democratic Services produces and distributes formal planners setting out the timetables for council meetings. Democratic Services officers work with directorate officers to ensure that internal and external deadlines are met.
- c) There is an established process for seeking legal and financial advice on reports. All reports for decision must contain Legal and Finance comments and the Monitoring Officer and her staff ensure that advice is recorded on all reports.
- d) Effective decision making is often dependent on the availability of good quality data. The Council's Plan and sixteen Assistant Director Service

Plans provide the context for reporting of data on performance and risk through CMT to Cabinet and Audit and Assurance Committee as appropriate. The Council has a risk based policy on Data Quality Assurance and a self-assessment tool which is accessible via In Touch. Responsibility for data quality is devolved to Senior Managers within their service areas. The Senior Manager Performance and Risk who oversees the reporting process for performance and risk within the Council is conducting an exercise with Directorate senior managers to assess the level of assurance with regard to the policy.

- e) The Constitution sets out the Council's Access to Information rules, which adhere to legal requirements. The Council uses the "Modern Gov" system for preparation of agendas and minutes of Council meetings. An officer from Democratic Services attends meetings of full Council, committees and Cabinet to take minutes which are published in accordance with Constitution requirements. Reports for decision follow a template which provides a structure for setting out clear recommendations, options and reasons for recommendation. Reports contain advice given by legal and financial advisers. Financial advice includes comment on value for money. Legal advice includes, as appropriate, vires/decision maker, specific legal issues and legal risks relevant to the decision. Minutes of meetings are published in accordance with constitutional requirements and are made available on the Council's website.
- f) The Member and Officer Codes of Conduct require interests to be disclosed. The Code of Conduct for Members implements the Localism Act 2011 and includes some additional "Non-Pecuniary" interests which Members are required to register. Meeting agendas highlight the requirements for Member declaration of interests, which are recorded in meeting minutes. Members are encouraged by the Monitoring Officer to seek advice on interests and regularly do so.
- g) The Council has a Risk Management Policy & Strategy, Process Guide and risk identification & management tools. These are reviewed and approved annually by Cabinet. The arrangements include the following:
 - The Risk Management Policy & Strategy defines the roles and responsibilities of members and managers
 - Risk management training is provided annually for members and made available for managers and officers identified as directorate "Risk Leads".

- Directorate Risk Leads have been trained in risk management facilitation skills to embed risk management practices within their respective areas.
 - Risk management benchmarking was carried out in 2013 to evaluate and facilitate the progressive development in risk management practises.
 - A Risk management Improvement plan delivers Risk Management developments and is reported quarterly to the Corporate Management Team and the Audit and Assurance Committee.
- h) Arrangements to review the effectiveness of the Risk Management Strategy comprise a Risk Management Health Check. The next one is due in 2014.
- i) The Council uses the CIPFA Risk Management Benchmarking framework which enables a comparative self- evaluation of system strengths and weaknesses. Benchmarking was carried out in 2013.
- j) The Risk Management Policy & Strategy, process guide & tools are updated annually. These system developments are often the result of the outputs from the Health Check or Benchmarking exercises or officer suggestions, thus making the overall Framework more effective.
- k) Corporate risks are reviewed quarterly to assess progress on mitigating actions and/or to identify new or emerging risks. These risks flow through the following quarterly meetings:
- Corporate Governance Group
 - Corporate Management Team meetings
 - Cabinet Briefing meetings
 - Audit & Assurance Committee.
- l) The directorate review of the Internal Control Framework identified that following the reshaping of the Extended Leadership Team, further assurance is required that risk registers and arrangements for managing and identifying risk are operating effectively across all services. The review in addition highlighted that further assurance is required that all relevant insurances are in place, an issue to be addressed through Service Plans.

- m) The Council's scrutiny function allows for effective challenge of performance and outcomes. The Scrutiny Boards have annual work plans.
- n) The role and responsibility of Scrutiny is set out in the Council's Constitution, and a revised Scrutiny Toolkit has been produced and circulated to all non-executive councillors.
- o) Scrutiny has a standing item to monitor performance at all of the Board meetings and additional workshops were held at the beginning of each Board meeting in the October / November cycle of meetings to enable Members to develop their skills and understanding of performance scrutiny further.
- p) In order to monitor the implementation of Scrutiny recommendations accepted by Cabinet, a new timetable and format for reporting implementation / improvements has been introduced to the Scrutiny Boards.
- q) An effective internal audit function is in place. The Council is the host authority for a shared internal audit service with two district councils, Cumbria Constabulary and the Police and Crime Commissioner. In addition, two other district councils buy services from the shared internal audit service.
- r) The Audit and Assurance Committee is well established within the Council's constitutional arrangements. Audit and Assurance Committee operates independently from Scrutiny and Cabinet and the committee is non-political.
- s) The Council has a corporate complaints procedure with specific arrangements in place in directorates where required by statute. The arrangements for dealing with complaints are accessible as follows:
 - Complaint leaflets and posters distributed throughout council offices
 - Complaint's procedure available on public facing website
 - Online guide to complaints available to staff via the intranet.
- t) As already highlighted, a Counter-Fraud Policy is in place and is publicly available through the Council's website as part of the Constitution. The Policy includes reference to the Bribery Act 2010 and was last updated in November 2012. The policy requires that all suspicions of fraud are reported to one of three named senior officers or via a Fraud Hotline. The Contract Procedure Rules contain provisions that must be incorporated

into Council contracts giving the Council rights to terminate contracts and recover losses resulting from corruption or fraud.

- u) Where a significant investigation arose, Internal Audit resources were allocated to the formal project team established to investigate the matter. This arrangement is ongoing.
- v) As highlighted in an earlier section of the statement, the Council has in place a Whistleblowing Policy and Complaints Procedure. Both fall within the management of the Assistant Director, Corporate Governance. Both are made available to the public, as described in other sections of this Annual Governance Statement.
- w) Change Management within the Council is undertaken in accordance with the Council's Managing Change Policy and associated human resources procedures, process maps and guidelines. The policy was redrafted in September 2013 to take into consideration changes in employment legislation and to ensure a fair and consistent approach to change management is undertaken across the organisation.
- x) The Council's arrangements for actively recognising the limits of lawful activity are set out in the Constitution and managed through the arrangements described in this Annual Governance Statement. The Assistant Director Corporate Governance, the Monitoring Officer and Section 151 Officer are supported by qualified staff in regulatory and technical roles. These work alongside colleagues to seek lawful solutions to the challenges faced by the Council in achieving its objectives.
- y) The Council has in place effective arrangements for recognising the limits of lawful action and for observing the specific requirements of legislation and general public law responsibilities. The Council carries out horizon scanning of new legislation and legal support is provided where requested by directorates and to all major Council projects. Officers developing new work are encouraged to seek legal advice at an early stage. The Corporate Management Team ensures that legal advice has been sought on major proposals for decision.
- z) The Council has an in-house Legal Service, under the management of the Assistant Director Corporate Governance, which covers the range of functions carried out by the Council, and includes lawyers experienced in public law. Lawyers who advise on reports for decision are trained in public law decision making, with training most recently carried out in April 2014. The Council's Legal Services holds the Lexcel accreditation and has in place effective systems for supervising and recording legal advice provided, which are externally inspected annually.

CORE PRINCIPLE FIVE: DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE

- a) The Council has in place a number of policies and arrangements to develop capacity and capability of Members and officers to be effective. The Induction and Appraisal Policies, which have been described elsewhere in the Annual Governance Statement, form part of these arrangements.
- b) The Annual Appraisal cycle identifies ongoing learning and development needs for officers at all levels, through the delivery of an individual development plan.
- c) The annual appraisal cycle identifies individual officer performance against Council priorities. Employee Development Plans agreed as part of the appraisal process identify learning and development needs to support improved performance. Learning and Development is prioritised on a corporate, service and individual level.
- d) Member development is supported by both Members and officers. It is integral to enhancing Members' role as community leaders (in their work in their electoral division) and their role within the Council in the decision making process. Currently Member development needs are identified through undertaking an Individual Development Plan (IDP) which is completed within the first year of election and reviewed on an annual basis.
- e) A new approach is being developed during 2014/2015 to identify development needs through a Training Needs Analysis process which will create a programme of Member Development, to be agreed by Members in September 2014.
- f) To address corporate training and development needs and obtain value for money across the Council, learning and development is now provided as a centralised service. Directorates commission training through the Corporate Learning and Development Team so that shared learning needs can be met across a range of employees, in preference where possible to individual commissioning. Online learning is available to all employees and Members via the intranet. Where appropriate, online courses are mandatory and update of training is monitored, recent examples include equality and diversity and data security.
- g) The role profiles and person specifications for Corporate Directors and Assistant Directors, which were reviewed in 2013 as part of the reshaping

of the Extended Leadership Team, identify the skills and behaviours necessary to perform these roles. Generic role profiles identify the core skills and experience that are transferable across the Council's Job Family structure.

- h) Recruitment and selection methods are utilised when appointing an officer within the Council, which focus upon skills, ability and behaviours required to effectively undertake their strategic roles.
- i) The directorate review of the Internal Control Framework has highlighted the need to put in place a consistent approach to succession planning across the Council. There are some directorate arrangements in place but this does not provide consistency across the Council. Succession planning is highlighted as a significant governance issue for the Council in 2014/2015, requiring corporate action. In 2014 a Succession Planning process is being developed to support workforce planning and career development.
- j) Members' development needs are identified through the Member Development Group and through training needs analysis. As highlighted above Members undertake an Individual Development Plan (IDP). This approach together with the introduction of a Training Needs Analysis will identify developmental needs for Members to enhance their roles as community leaders. The IDP and Training Needs Analysis inform the production of a Member Development Programme to support core and specific development needs identified within the role of a Member. Learning and Development interventions include, externally and internally resourced training, the attendance at externally and internally delivered seminars and briefing sessions, and e-learning.
- k) The Council has in place a variety of arrangements for encouraging individuals from all sections of the community to engage with, contribute to and participate in the work of the Council. These include:
 - Equalities impact assessments undertaken in respect of all decisions where the public sector equality duty may apply
 - Participation in a Third Sector Compact agreement which sets out when and how the Council will undertake consultation
 - An extensive programme of public consultation as part of the preparation of the Council Plan and budget
 - A Public Participation Scheme which is publicly accessible on the Council's website as part of the Constitution

- Supplier Days arranged when the Council is planning a major procurement exercise as part of its strategy to encourage tenders from Cumbrian businesses.

CORE PRINCIPLE SIX: ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

- a) The Council has a Community Strategy and a Council Plan that set the context for Service Plans, and six Local Committee Area Plans. Priority setting and commitments at all level of planning are informed by engagement and consultation with the public and other stakeholders.
- b) The Council also facilitates a Cumbria Partnership Forum where strategic partners discuss topical issues and challenges facing Cumbria and the people and places they serve. The Council is also represented at regular meetings of all chief executives and leaders of public sector bodies in Cumbria.
- c) The Council carries out and uses responses from a number of customer satisfaction surveys and uses a variety of communication channels to engage with the public e.g. a publication to every household, website and via the media.
- d) An established range of channels, including social media, are used to target a wide range of residents and communities to encourage feedback.
- e) Specific marketing campaigns are used to improve services and service performance, e.g. waste recycling, foster carer recruitment, adoptive parents.
- f) A public facing achievements report is published six- monthly, providing evidence of improvement against Council Plan priorities. This compliments the statutory annual report and accounts published in July.
- g) An internal communication approach is also in place to support open and transparent communication channels with employees. The Council's commitment and approach to consultation with employees will be set out in the Workforce Plan.
- h) The Council has adopted a publication scheme enabling public access to information on the Council's website and in addition to handling requests for information via the Freedom of Information Act and Environmental Information Regulations (over 1,200 per annum), seeks to improve public accountability by making all information disclosures available to the wider public.

- i) An annual report on the activity of the Scrutiny function is considered by the full Council. The 2013/2014 report was considered in April 2014. The Cumbria Health Scrutiny Committee is actively working to scrutinise the health services in Cumbria. Evidence is sought from a range of witnesses to support this including the Care Quality Commission, NHS England and Monitor. This evidence combined with regular discussions and performance review from the three Cumbrian health trusts and the Clinical Commissioning Group enable the Committee to assure itself, or to challenge performance and delivery, across a number of areas. Where assurance has not been provided more in-depth work is undertaken. An example is the 2013 Health Scrutiny Committee utilising its power to refer a concern about the reconfiguration of vascular service provision to the Secretary of State for Health for consideration.
- j) The Cumbria Police and Crime Panel meet on a quarterly basis. The terms of reference of the Panel are set out in the Council's Constitution and the Panel has governance arrangements in place. Some of these, for example the Complaints Procedure, are being reviewed in 2014 in order to consider what can be learned from the first eighteen months of operation.
- k) The Police and Crime Panel contributed to the Home Affairs Select Committee review of Police and Crime Commissioners to highlight concerns regarding the limited nature of Police and Crime Panel powers.

4.3 Effectiveness of the Audit and Assurance Committee

- 4.3.1 The Council's Audit and Assurance Committee has delivered its annual work programme, championing the work of external and internal audit. Each year the Committee reviews its own effectiveness against best practice criteria for effective audit committees. For 2013/2014 the review has been against the core purpose of an Audit Committee as set out within the CIPFA Guidance for Audit Committees issued in December 2013. The review has confirmed that the Audit and Assurance Committee fulfils the core purpose as defined within the latest CIPFA guidance. Further self-assessment will be conducted later in the year against the wider CIPFA guidance to contribute to the continued development of the Audit and Assurance Committee's effectiveness.
- 4.3.2 During the year there has been regular reporting of both internal and external audit outputs. There has been a focus on ensuring that recommendations are effectively implemented and where appropriate, the committee has requested specific confirmation from senior

management that internal audit recommendations have been implemented.

- 4.3.3 The Audit and Assurance Committee has received training during the year from officers on the role of the Audit and Assurance Committee which also included the role of internal audit. Training was also provided on the statement of accounts to assist the committee in their role in approving the accounts.
- 4.3.4 Audit and Assurance Committee received regular updates on the corporate risk register during the year and sought explanations on the arrangements for managing these risks as appropriate. The committee also invited Corporate and Assistant Directors to provide full explanations of specific risks from the corporate risk register in order to ensure risk management arrangements are effective. Presentations included; HR corporate risks, ICT Contract Risks, Safeguarding Adults, Health and Social Care Governance.
- 4.3.5 Audit and Assurance Committee received a Lessons Learned report from the Chief Executive and an action plan to provide assurance that the Council has improved its arrangements for investigating reported irregularities.

4.4 Review of internal and external inspections

- 4.4.1 Audit and Assurance Committee received the following external reports during the year:
- Inspection of the Office of the Surveillance Commissioner into the Council's management of covert activities.
 - Information Commissioner's Office – Voluntary Audit
Audit and Assurance Committee sought and received assurances that actions were being implemented as appropriate in response to these reports.
- 4.4.2 In addition the Council received reports from:
- Ofsted, which is being monitored by the Safeguarding Improvement Board and a Scrutiny member group which is tracking key performance indicators linked to the Ofsted Improvement Plan.
 - Fire and Rescue Service Peer Review which is currently being appraised.

- OFSTED, following a series of secondary school inspections in autumn 2013, which is being monitored internally. Subsequent monitoring visits by OFSTED have assessed the Council's Statements of Action, for those local authority maintained schools deemed "inadequate", to be "fit for purpose", the schools have also been judged to be making reasonable progress.
- Legal Services annual Lexcel inspection, which confirmed accreditation of Legal Services to this standard.

4.5 Review of the Annual Report of the Head of Audit

- 4.5.1 The Group Audit Manager is required under the Public Sector Internal Audit Standards to prepare an annual risk-based internal audit plan designed to allow an annual opinion to be provided on the council's arrangements for governance, risk management and internal control.
- 4.5.2 The 2013/2014 internal audit plan was approved by Audit and Assurance committee at its meeting in June 2013 and the work was then undertaken from the approved plan to support the delivery of the annual opinion.
- 4.5.3 The Internal Audit Service has been significantly reviewing the way in which it undertakes its work during the year and several service development projects have been undertaken that were not programmed in to the original plan of work. This has impacted to some extent on the work delivered from the plan, but is work that has been essential to ensuring the service conforms with the mandatory standards for internal audit. The work undertaken from the plan is detailed within the annual report of the Group Audit Manager which shows that 80% of the plan was delivered. This is considered to provide sufficient coverage to enable the annual opinion to be provided on the council's systems of governance, risk management and internal control.
- 4.5.4 The annual report of the Group Audit Manager concluded that from the work undertaken by internal audit, Cumbria County Council has adequate and effective systems of governance, risk management and internal control and that there has been an appropriate response by management to internal audit recommendations. The report did identify however, that reasonable assurance could not be given across some aspects of IT governance where two internal audit reviews had identified weaknesses in the arrangements for ensuring compliance with external

information governance requirements. Action plans are in place to address the issues identified and the matter is being closely monitored and reported through the corporate risk register and Annual Governance Statement action plan.

4.6 Review of Effectiveness of Internal Audit

- 4.6.1 The annual review of the effectiveness of Internal Audit is required by the Accounts and Audit Regulations 2011. For 2013/2014 the review was undertaken against the Public Sector Internal Audit Standards and accompanying Local Government Application Note. The review confirmed that the County Council's Internal Audit arrangements are adequate and effective to deliver an annual assurance statement on the systems of governance, risk management and internal control.
- 4.6.2 2013/2014 has seen significant changes within the internal audit service. A new Group Audit Manager came into post during the year and several service development projects are underway aimed at implementing a fully risk based approach to the planning and delivery of internal audit work. Several service development projects will continue into 2014/2015 and a number of new ones have been identified to start in 2014/2015.

4.7 Assessment of the Council's arrangements against the CIPFA statements on the role of the Chief Financial Officer and the Head of Audit

- 4.7.1 A review of the arrangements against the CIPFA Statement on the Role of the Chief Financial Officer was undertaken. The review confirmed that the arrangements comply with the requirements of the CIPFA Statement.
- 4.7.2 A review of the Council's Internal Audit arrangements against the CIPFA Statement on the role of the Head of Internal Audit was undertaken. The review identified that the arrangements comply with the requirements of the CIPFA Statement.

4.8 External Audit Reports

- 4.8.1 Audit and Assurance Committee received regular reports from the Council's external auditor, Grant Thornton, throughout the year. The external auditor gave an unqualified opinion on both the County Council

and the Cumbria Local Government Pension Scheme sets of 2012/2013 accounts.

- 4.8.2 Grant Thornton gave an 'except for' Value for Money conclusion for Cumbria County Council in respect of securing economy, efficiency and effectiveness in the use of resources. The 'except for' conclusion was in relation to Child Protection issues relating to the OFSTED inspections undertaken prior to their audit of the Councils accounts for 2012/2013. Audit and Assurance Committee continue to monitor the position with regard to Child Protection through their regular monitoring of the corporate risk register and Annual Governance Statement action plan.

4.9 Review of Scrutiny activity including health scrutiny

- 4.9.1 Over the past twelve months overview and scrutiny has continued to develop, establishing reviews and focusing on a number of key topics which underpin the Council Plan and the Council's outcomes and service delivery. Scrutiny Management Board continues to oversee and manage the overall work programme of the thematic scrutiny boards in addition to providing specific challenge and review of those service areas within its own remit.
- 4.9.2 Following a decision by full Council two of the former Scrutiny Advisory Boards were merged, creating a new "Communities and Place Advisory Board" with a wider remit. This now mirrors the remit of the Environment and Community Services Directorate and the Fire and Rescue Service.
- 4.9.3 Following the successful introduction of the Member Champion approach last year, this scheme designed to strengthen the engagement of elected members in specific service areas, has been continued and extended to additional service areas. In this role individual councillors volunteer to work and engage with specific service areas on a regular basis. This has enabled them to act as an informed link between the service and the elected membership and scrutiny.
- 4.9.4 Working closely with directorates, scrutiny members have undertaken eight Task & Finish Group reviews over the past year following the May 2013 Council elections. By the end March 49% of all non-executive councillors had taken part in at least one scrutiny review.
- 4.9.5 In addition to the internal Scrutiny work that has taken place, joint Scrutiny with all District Councils has been driven by the County Council's Health Scrutiny Committee, and has focused on a number of areas including:

- Continuing to monitor and scrutinise the changes to Vascular Services in the Northwest
 - Examining the issues faced by both Hospital Trusts in Cumbria
 - Establishing a joint Health Scrutiny Committee with Lancashire to scrutinise the development of the Better Care Together programme in the South of Cumbria and North Lancashire.
- 4.9.6 In 2013/14 there has been one Call-In. Following this, a review of how Call-Ins are carried out was undertaken. This led to a revised procedure with all Call-Ins now being dealt with by Scrutiny Management Board. The aim of this change is to continue to strengthen the process, ensuring consistency of approach and enabling comprehensive training to be provided to members of Scrutiny Management Board.

4.10 Review of arrangements for the Council's Controlled Companies

- 4.10.1 The Council reviewed its arrangements in 2012 and on 1st April 2013 the Council created a holding company, Cumbria County Holdings Limited which is wholly owned by the Council. Cumbria County Holdings Limited wholly owns two subsidiaries, Orian Solutions Limited, which provides primarily facilities management services and Cumbria Waste Management Limited, which was originally established as a waste management company and which has retained its "arms-length" status within the definition in the Local Government and Housing Act 1989.
- 4.10.2 The Council retains control of the appointment of directors and appoints one director to the board of Cumbria County Holdings Limited, who forms part of the quorum for directors meetings. The Council has appointed a shareholder's representative (the Assistant Director, Business Services) and made provision within its Constitution to delegate authority to the shareholder's representative to act on its behalf in respect of decisions of Cumbria County Holdings Limited which are reserved to its shareholder. Reports for Council consent are required to follow a similar approach to that for internal Council decisions and the shareholders representative seeks specialist advice in the same way. Legal advice and support is provided to the shareholder's representative.
- 4.10.3 The directors of Cumbria Waste Management are required to be appointed for a fixed term of at least two years and consent was given by the Council for re-appointment in December 2013.

4.11 Pensions Committee

- 4.11.1 The Cumbria Local Government Pension Scheme is administered by the County Council and its accounts are considered for approval by the Audit and Assurance Committee. The Cumbria LGPS has in place governance arrangements that are reported to the Pensions Committee and the Audit and Assurance Committee (when approving the Cumbria LGPS accounts) and these are described and reviewed in the Cumbria LGPS Annual Report and Accounts.

4.12 Conclusion

We have been advised on the implications of the result of the review of effectiveness of the governance framework by the Audit and Assurance Committee and that the arrangements continue to be regarded as fit for purpose in accordance with the governance framework. The areas already addressed and those to be specifically addressed with new actions planned are outlined below and in the Appendices.

4.13 Significant Governance Issues

- 4.13.1 Previous Annual Governance Statements have included action plans to address items identified as significant governance issues and the Audit and Assurance Committee has received regular reports on progress against these action plans.
- 4.13.2 The final review of the 2013/2014 action plan has informed the action plan accompanying the 2013/2014 Annual Governance Statement. Where appropriate, actions have rolled forward into the new action plan to ensure that these continue to be addressed and monitored. A number of items on the 2013/2014 action plan have progressed sufficiently to no longer be considered to be significant governance issues and are not included within the 2014/2015 action plan. These items are:
- Number of care home places provided by the Council
 - Travel Claims
 - Review of lessons learned from the Eden Community Recycling case.

4.13.3 In line with best practice, the review of governance arrangements in support of the Annual Governance Statement was undertaken throughout 2012/2013. Where appropriate, additional actions have been included within the action plan, in particular those arising from the Ofsted inspection of Children's Services. Progress against the 2012/2013 action plan is considered to have been satisfactory. Where items on the 2012/2013 action plan relate to internal audit reviews undertaken, these will be followed up as is normal practice for all internal audit reviews, and the progress reported accordingly.

4.13.4 The updated action plan for 2014/2015 is set out at Appendix One and is summarised into the following themes:

- Safeguarding Children
- Contract Management
- Information Governance
- Financial Resilience
- Workforce Development
- Partnerships

4.13.5 We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvements that were identified in our review of effectiveness. We will monitor their implementation and operation as part of our next annual review.

Signed:

Stewart Young
Leader of the Council

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Diane Wood
Chief Executive

on behalf of Cumbria County Council

APPENDIX 1

Action Plan 2014/2015

APPENDIX 2

Assurance Framework Diagram